Committee on Ways and Means

Extension of Preferences for Africa, Haiti, Andean Countries, and the Generalized System of Preferences; PNTR for Vietnam; and Miscellaneous Trade Bills

H.R. 6346 Summary

Generalized System of Preferences (GSP)

1. Extends GSP for two years, consistent with the President's budget request.
2. Tightens rules on competitive need limit waivers to tailor the program for use by lesser developed countries that need help exporting to the United States:
    - Eliminates waivers on any product category when a country exports more than $1.5 billion of that product in the prior year.
    - Eliminates waivers for countries with per capita income more than $3,400.

African Growth and Opportunity Act (AGOA)

1. Provides a tax credit for new U.S. labor and capital investments in AGOA-eligible countries:
    - An elective credit is available to offset U.S. tax on income from active trade or business operations (other than mining, oil and gas) in AGOA-eligible countries. The credit is available to U.S. corporations that invest in eligible countries directly (through "branch" operations) and indirectly (through controlled foreign corporations and partnerships).
    - The credit is equal to 60 percent of additional wages and fringe benefits and an amount (15 percent – 65 percent) of depreciation on new investments in tangible property (other than vessels, aircraft and related containers). Credit can be carried forward for 10 years. Credit (as well as any carryforward) expires for taxable years beginning after December 31, 2015.
2. Extends current provision allowing benefits for apparel made with fabric from third countries until September 2008, with a full 3.5 percent cap.
3. Starting in October 2008, replaces current third country fabric benefit with a new value-added rule of origin for lesser developed countries, similar to that described below for Haiti, and subject to a 3.5 percent cap.
4. Provides an exception to the third country fabric benefit and to the benefit under the newly created rule of origin for apparel goods made from components that are in "abundant supply" in Africa. The purpose is to remove current disincentives for the investment in fabric production in Africa. In particular, denim is deemed to be in abundant supply because of known production in Lesotho.
5. Allows duty free treatment for lesser developed countries for certain textiles (non-apparel) of wholly made African fabric.

Haitian Hemispheric Opportunity through Partnership Encouragement ("HOPE") Act

1. Applies the same political, economic, and labor criteria, and the same textile and apparel transshipment requirements as the African Growth and Opportunity Act (AGOA).

2. In addition to current Caribbean Basin Initiative (CBI) benefits, provides new rules of origin for apparel:
   - 50 percent of the value of the finished product must be of U.S., Haitian, FTA, or preference program origin in years one through three; in year four, the percentage grows to 55 percent and in year five, to 60 percent; also allows the new test to be applied on an annual, aggregated basis.
   - Caps the amount of trade under the new test at 1 percent of U.S. apparel imports in year one, growing by 0.25 percentage points per year through year five.
   - Allows a "single transformation" rule of origin for bras, so that components can be sourced from anywhere as long as they are assembled in Haiti.
3. Provides a small tariff preference level (TPL) for woven apparel, of 50 million square meter equivalents (SMEs) in years one and two and 33.5 million SMEs in year three.
4. Liberalizes the rule of origin for wire harnesses, providing benefits if 50 percent of the value added is of U.S., Haitian, or FTA origin.

Andean Bridge to a Reciprocal Trade Partnership Act

1. For Peru and Colombia: Grants a straightforward six-month extension, followed by an additional six-month extension for a country only if the United States and that country both complete their legislative process to approve a trade promotion agreement (the additional six months would be used to finalize implementation in Peru and Colombia prior to entry into force of the agreement).
2. For Ecuador and Bolivia: Permits a rebate of duties from a country from January 1, 2007 if a trade promotion agreement enters into force between the United States and that country within one year.

Permanent Normal Trade Relations (PNTR) for Vietnam

1. Grants permanent normal trade relations (PNTR) to Vietnam, thereby eliminating the annual evaluation of Vietnam's emigration practices under the Jackson-Vanik provisions.
2. Establishes a subsidies enforcement mechanism to ensure that the Administration acts quickly and decisively if Vietnam grants any prohibited subsidies to its textile and apparel industry in violation of the terms of its accession to the World Trade Organization (WTO).

Miscellaneous Trade and Technical Corrections Act (MTB)

The purpose of the bill is to amend the Harmonized Tariff Schedule (HTS) of the United States to modify certain rates of duty, to make technical amendments to trade laws, and for other purposes. For inclusion in the bill, a provision must have been vetted, raise no objection, and be administrable.

1. Suspends or reduces the tariff rate on more than 500 selected products. This reduction of tariff rates allows these products, many of which are niche chemicals and not available in the United States, to enter without being charged duty. Many of these provisions have already passed the House.
2. Corrects government errors. Occasional errors occur when the government assesses duties against importers. Such errors are routinely corrected through "reliquidations" of the entry. The bill corrects errors made for certain past entries.